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SUBJECT: EUR/ACE VISIT WITH MINISTRY OF ECONOMY AND FINANCE

Summary

1. (SBU) EUR/ACE Director of FSA Programs Deborah Klepp discussed potential areas for U.S. technical assistance with Deputy Minister of Economy and Finance (MOEF) Tuvakmammed Japarov and Chief International Specialist Galina Romanova on January 31 as part of EUR/ACE Coordinator Adams's Turkmenistan visit. Japarov's manner throughout the meeting was courteous and communicative, but completely cautious. He rebuffed, at least for the time being, all specific overtures for expanded cooperation with the USG, even on a proposal that the MOEF itself requested in 2006. END SUMMARY.

Benign Commonplaces

2. (U) Director of FSA Programs Klepp offered conventional condolences on the death of President Niyazov and explained the goals of the EUR/ACE delegation's mission to Turkmenistan. Foreshadowing his generally conservative approach to the meeting, the Deputy Minister refused to accept an invitation and informational flyer on an upcoming U.S. Trade Development Agency Conference in Almaty, instead insisting that it be delivered through the Ministry of Foreign Affairs per usual protocol.

3. (U) Japarov responded by outlining the Ministry's priorities, i.e., the promotion of economic development according to the Socioeconomic Plan for Development through 2020. He went on to note that the presidential candidates had all with one voice stated the need for reforms, and that the ministry would work in this process together with other state agencies involved in economic issues like the Central Bank of Turkmenistan and the State Statistics Institute. MOEF's mandate was to raise incomes and generate jobs for the population, while ensuring that the current low prices for communal services, transport and communications were continued, Japarov stated. (Comment: Sun rises in east. End Comment.)

4. (U) Highlighting existing "cooperation" with the U.S., Japarov noted that between 2003 and 2005, Turkmenistan firms bought \$330 million worth of equipment from U.S. firms such as Boeing and Sikorsky. Other U.S. firms, like John Deere, Case, and Caterpillar, also had a strong presence in Turkmenistan.

But Stubborn Refusal to Accept A/CIPA Assistance

15. (U) Following up on a November 2006 exchange between USAID Country Rep Moretz and Deputy Minister Japarov, Klepp inquired about MOEF's interest in USAID's Accounting/Certified International Professional Accountant program (A/CIPA), which supported testing and professional certification according to International Financial Reporting Standards (IFRS). Japarov responded that the MOEF did not want to waste donors' funds like "money in the air," and that it was not ready for this program, since national accounting standards (NAS) that conform to IFRS did not yet exist. Romanova added that the ministry had recently signed a long-discussed program of technical assistance with the European Union's (EU) TACIS program, which was expected to begin in the last half of 2007 and would support development of NAS and other items.

16. (SBU) NOTE: Ironically, Foreign Minister Meredov told Coordinator Adams and Charge in a separate meeting the same morning that the Turkmenistan government would welcome cooperation in the area of international standards. END NOTE.

17. (SBU) Stating that implementing IFRS required good legislation and guidance for implementation by enterprises, Klepp gently suggested the government could demonstrate leadership via legislation in order to establish a basis for IFRS. One means to this end would be through supporting a pending request by the School of Entrepreneurs (a private local training provider) to the Ministry of Education to approve the USAID-supported curriculum. Displaying a hint of frustration at Klepp's persistence, Japarov circled back to his original position that such approval would simply be premature absent NAS that conform to IFRS.

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Likewise on Budget-Reform Assistance

18. (SBU) Klepp then inquired about a proposal submitted in October 2006 by USAID in response to a May 2006 MOEF request for technical assistance on budget reforms. (NOTE: It took four months from USAID's receipt of the request to gain approval to meet with the MOEF to discuss their interests. END NOTE.) Romanova replied that the Ministry was also working with EU-TACIS on this issue, and that she expected EU-TACIS to play a coordinating role in assistance to the MOEF. As a result, no work under this or other areas should begin until TACIS' contractor began its work. (NOTE: The short-term USAID technical assistance requested by the MOEF was originally designed to be a bridging assignment until the new EU program's activities were launched. It was fully coordinated with the EU's representative in Ashgabat during its development. END NOTE.)

COMMENT

19. (SBU) The two MOEF representatives were palpably unwilling to move beyond pleasantries to substantial discussion of expanded assistance. Their attitude may partially stem from the fact that there is no current Minister of Economy and Finance; that position has been vacant since June, 2005. Privately, Ms. Romanova has repeatedly assured USAID staff of her interest in its proposals and programs. Indeed, later that night, at a reception for the delegation hosted by Charge Brush, Romanova shared with USAID FSN her opinion that the School of Entrepreneurs' request for approval of the training curriculum deserved support. As long as the Minister's chair remains unfilled, however, it appears no one will accept responsibility for supporting this or other projects linked to the USG. In a subsequent February 7 meeting with the Charge, Foreign Minister Meredov said the new president would appoint a new cabinet, making it likely there could be a new Minister of Economy and Finance soon. END COMMENT.

BRUSH